



UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON GOVERNMENT REFORM MINORITY STAFF  
SPECIAL INVESTIGATIONS DIVISION  
FEBRUARY 2004

---

**THE VA BUDGET PROPOSED BY PRESIDENT BUSH WOULD DENY HEALTH  
CARE TO THOUSANDS OF VETERANS IN NEW JERSEY**

---

PREPARED FOR REP. RUSH HOLT

## TABLE OF CONTENTS

---

Executive Summary .....	i
Background .....	1
President Bush's VA Budget Proposals .....	2
Findings .....	3
Thousands of Veterans in New Jersey Will Be Forced Out of VA Health Care .....	3
Veterans in New Jersey Who Continue To Receive VA Care Will Pay Hundreds of Dollars Annually in Increased Costs .....	5
Conclusion .....	5

## EXECUTIVE SUMMARY

---

On February 4, 2004, President Bush released his proposed budget for the Department of Veterans Affairs. The budget provides \$30.2 billion for veterans care, which is \$1.2 billion less than the Secretary of Veterans Affairs has said is necessary to pay for adequate care. To compensate for the inadequate funding, the budget proposes reductions in care for millions of veterans. The budget proposes denying hundreds of thousands of veterans access to any VA care, charging over two million veterans who are currently in the VA system a \$250 annual enrollment fee, and more than doubling copayments for prescription drugs.

At the request of Rep. Rush Holt, who represents New Jersey's 12th Congressional District, this report analyzes the impact of these cutbacks on veterans in New Jersey. It finds that the proposed changes would cause tens of thousands of New Jersey veterans to be denied VA health care or to drop out of the VA system, while increasing costs for tens of thousands more. Specifically:

- **The budget proposals would deny care to thousands of New Jersey veterans.** The President's budget would continue to freeze VA enrollment for "Priority 8" veterans, preventing an estimated 4,400 veterans in New Jersey from enrolling to receive care.
- **Increased fees would force tens of thousands of New Jersey veterans to drop out of the VA health care system.** An estimated 43,000 New Jersey veterans, including an estimated 8,200 veterans in active treatment, are unlikely to be able to afford the increased costs for VA health care proposed in the budget, causing them to drop their enrollment in the VA system.
- **Many veterans in New Jersey would pay an additional \$350 or more each year for VA care.** Other veterans in New Jersey would remain in the VA system but be forced to pay more for their health care. The average cost for these veterans would be over \$350 annually. Some New Jersey veterans could face new fees of \$550 or more.

## BACKGROUND

---

The Department of Veterans Affairs runs the nation's largest health care system, providing care to almost five million veterans through a nationwide network of hospitals, nursing homes, and outpatient clinics. The VA serves as a critical health care resource for veterans in New Jersey. In 2003, the VA provided care for an estimated 160,000 veterans in the state at the major medical centers in East Orange and Lyons and at community clinics located in Brick, Cape May, Elizabeth, Fort Dix, Hackensack, Jersey City, Morris Plains, Newark, New Brunswick, Trenton, Turnersville, Ventnor, and Vineland.<sup>1</sup>

The Department of Veterans Affairs has had long-standing problems providing care for eligible veterans. Nationwide, there are almost 30,000 veterans who have either been placed on waiting lists or forced to wait for over six months in order to receive an appointment for necessary care.<sup>2</sup> These problems providing care can be traced to the failure to provide adequate funding for the VA. In 1996, Congress passed the Veterans Health Care Reform Act, which expanded eligibility for VA care to all veterans. Since the legislation was passed, enrollment in VA health care facilities has increased by almost 250%, from 2.9 million in 1996 to 7.2 million in 2003.<sup>3</sup> Funding for the VA, however, increased at a much lower rate during this period, leading to shortages of capacity and long waiting times for many veterans.<sup>4</sup>

Under the 1996 legislation, the VA was required to establish several categories for enrollment, with the highest priority given to veterans who have service-related disabilities and low incomes. Two of these enrollment categories, Priority

---

<sup>1</sup> Department of Veterans Affairs, *New Jersey and the U.S. Department of Veterans Affairs* (2003). Department of Veterans Affairs, *FY 2003 End of Year Enrollment Projection* (Mar. 2003).

<sup>2</sup> Memorandum from Department of Veterans Affairs (Feb. 2004).

<sup>3</sup> Department of Veterans Affairs, *VA Health Care: Systemwide Workload, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>). Department of Veterans Affairs, *FY 2005 Budget Submission* (Feb. 2004).

<sup>4</sup> Department of Veterans Affairs, *VA Health Care: Systemwide Obligations, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>). Department of Veterans Affairs, *FY 2005 Budget Submission* (Feb. 2004).

7 and Priority 8, are most affected by President Bush's proposals. Priority 8 veterans are veterans who do not have service-related disabilities and who have incomes that exceed the Department of Housing and Urban Development's cutoff level for eligibility for public housing programs. This is a geographically-based income level, set at 80% of the median income level for a given community. In New Jersey, for a single veteran, this annual income level ranges from \$28,100 to \$39,550 (for a veteran with a single dependent, this income level varies from \$35,150 to \$45,200).<sup>5</sup> Priority 7 veterans are those who do not have service-related disabilities and who have incomes that are below the HUD means test income, but above a VA-established threshold of \$24,644 for a single veteran (\$29,576 for a veteran with a single dependent).

### **PRESIDENT BUSH'S VA BUDGET PROPOSALS**

---

President Bush's budget fails to provide adequate funding for the Department of Veterans Affairs. The President's budget proposed to spend \$30.2 billion on veterans health care in the next fiscal year. Although a nominal increase over the 2004 budget, this 2005 VA budget fails to keep up with increasing enrollment and medical inflation.<sup>6</sup> Leading veterans groups have described the budget as "woefully inadequate,"<sup>7</sup> and in testimony before Congress the Secretary of Veterans Affairs, Anthony Principi, indicated that the budget request contained a shortfall of \$1.2 billion.<sup>8</sup>

---

<sup>5</sup> Department of Housing and Urban Development, *FY 2003 Income Limits* (Feb. 2003) (online at <http://www.huduser.org/datasets/il/fmr03/index.html>).

<sup>6</sup> The President's FY 2005 budget of \$30.2 billion for VA health care represents an increase of 3.9%. Most of this increase will be offset by medical inflation, which was 3.7% last year. Bureau of Labor Statistics, *Consumer Price Index: All Urban Consumers* (Jan. 2004). The modest increase proposed by the President will be unable to pay for care for the estimated 6% increase in enrollment projected by VA in 2004. *FY 2005 Budget Submission*, *supra* note 3.

<sup>7</sup> Paralyzed Veterans of America, *PVA Expresses Deep Concern over President's Budget Request for VA Health Care* (Feb. 2004).

<sup>8</sup> Congress Daily, *Budget: Bolton Does Not Reject Conservatives' Plan to Freeze Some Spending In FY05* (Feb. 5, 2004).

As a result of these budget shortfalls, President Bush's VA budget contains several provisions that would either restrict access to care for veterans or increase the cost of VA care for Priority 7 and Priority 8 veterans.

The first provision would continue to halt enrollment of new Priority 8 veterans, denying them access to any VA care.<sup>9</sup> Under this proposal, which continues a policy started in January 2003, all Priority 8 veterans who had enrolled in the VA system prior to January 17, 2003, would continue to receive care. But no new enrollments from Priority 8 veterans would be allowed.

The second provision would charge all Priority 7 and Priority 8 veterans who are in the VA system a \$250 annual enrollment fee in order to receive care.<sup>10</sup> This would represent a new policy for the VA, which to this date has never charged veterans an enrollment fee.

Finally, a third set of provisions would increase prescription drug copayments for Priority 7 and Priority 8 veterans who are receiving VA care. The copayments for prescription drugs would more than double, increasing from \$7 to \$15 per 30-day prescription.<sup>11</sup>

## FINDINGS

---

### **Thousands of Veterans in New Jersey Will Be Forced Out of VA Health Care**

President Bush's proposal to increase the cost of VA care and restrict access will impact thousands of veterans in New Jersey. First, it will mean that veterans who otherwise would have received care will no longer be able to enroll in the VA system. According to data from the Department of Veterans Affairs, the suspension of enrollment of Priority 8 veterans will deny care to an estimated

---

<sup>9</sup> *FY 2005 Budget Submission, supra* note 3, at 2A-5.

<sup>10</sup> *Id.*, at 2E-9.

<sup>11</sup> *Id.*, at 2E-10.

173,000 veterans nationwide annually.<sup>12</sup> Of these 173,000 veterans who will be denied care, an estimated 4,400 reside in New Jersey.<sup>13</sup>

In addition, many more veterans will lose access to care because of the new requirement that they pay an additional annual enrollment fee of \$250. The VA estimates that the new fee will force an estimated 53% of enrolled Priority 7 and 8 veterans — over half — to drop out of the VA system.<sup>14</sup> Overall, VA estimates that 1.1 million enrolled veterans in the United States, including 210,000 active patients, will be forced out of the VA health care system care because of the increased costs.<sup>15</sup>

Thousands of these veterans will be New Jersey residents. Presently, there are an estimated 48,800 Priority 7 veterans and an estimated 32,500 Priority 8 veterans enrolled in the VA health care system in New Jersey.<sup>16</sup> If 53% of these veterans are forced to drop out of the VA system, over 43,000 enrolled New Jersey veterans will no longer have access to VA care. This includes an estimated 8,200 New Jersey veterans who are active patients.<sup>17</sup>

Overall, including veterans who are precluded from signing up for VA care and veterans who will be forced to drop out of the VA system because of the increased fees, almost 50,000 New Jersey veterans will lose access to the system.

---

<sup>12</sup> Department of Veterans Affairs, *Impact of Suspending Enrollment of Priority 8 Veterans by State for FY 2003* (2003).

<sup>13</sup> *Id.*

<sup>14</sup> *FY 2005 Budget Submission*, *supra* note 3.

<sup>15</sup> At any given time, not all enrolled veterans are actively receiving care from VA. VA estimates that approximately half of all enrolled Priority 7 and Priority 8 veterans are active patients, and that 19% of all Priority 7 and Priority 8 veterans who will drop enrollment because of increased fees are active patients. *Id.*

<sup>16</sup> *FY 2003 End of Year Enrollment Projection*, *supra* note 1.

<sup>17</sup> *See* note 12.

## **Veterans in New Jersey Who Continue To Receive VA Care Will Pay Hundreds of Dollars Annually in Increased Costs**

For thousands of veterans in New Jersey who do stay enrolled in the VA program, there will be significant new costs. Not only will Priority 7 and Priority 8 veterans be forced to pay the annual \$250 enrollment fee, but they will also have to pay increased copays for prescription drug fees. Nationally, the increased copays are anticipated to cost veterans in the program an average of \$135 annually.<sup>18</sup> Overall, between the increased copays and the \$250 annual enrollment fee, Priority 7 and Priority 8 veterans who remain in the VA health care program will pay a total average increase of \$385 annually.

Many veterans will pay even more. A November 2002 report by the General Accounting Office found that among Priority 7 veterans who use VA outpatient prescription drug services, the average veteran uses 38 monthly prescriptions per year.<sup>19</sup> A Priority 7 veteran who fills this many prescriptions will pay an additional \$304 annually just for prescription drugs, plus the \$250 annual enrollment fee. Total increased costs for these veterans would be over \$550 annually.

Statewide, if the President's proposal does go into effect, an estimated 38,000 Priority 7 and Priority 8 veterans in New Jersey are likely to remain in the VA health care system in the state. These veterans will pay an estimated \$14.6 million annually in increased costs for VA care.

## **CONCLUSION**

---

This report analyzes the impact of President Bush's proposed budget on VA health care in New Jersey. The budget proposes restricting access to care for many veterans and increasing the cost of care for others. These proposals would

---

<sup>18</sup> VA estimates that the increased copays will impact approximately one million veterans and that VA will collect approximately \$135 million in copays from these veterans. *FY 2005 Budget Submission*, *supra* note 3, at 2E-10.

<sup>19</sup> General Accounting Office, *VA Health Care: Expanded Eligibility Has Increased Outpatient Pharmacy Use and Expenditures* (Nov. 2002).



**THE VA BUDGET PROPOSED BY PRESIDENT BUSH WOULD DENY HEALTH CARE TO THOUSANDS OF VETERANS IN NEW JERSEY**

deny care to an estimated 4,400 veterans in the state and force an additional 43,000 enrolled New Jersey veterans, including almost 8,200 active patients, to drop out of the VA health care system. The proposals would also increase the cost of health care for many New Jersey veterans who remain in the program by an average of \$385 annually and would cost some veterans almost \$600 or more annually.